

**TOWN OF HAMPTON,  
NEW HAMPSHIRE**

**ANNUAL FINANCIAL REPORT**

**AS OF AND FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2012**

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## **PLODZIK & SANDERSON**

*Professional Association/Accountants & Auditors*

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### ***INDEPENDENT AUDITOR'S REPORT***

To the Members of the Board of Selectmen  
Town of Hampton  
Hampton, New Hampshire

#### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Hampton as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

#### ***Basis for Adverse Opinion on Governmental Activities***

As discussed in Note 1-B to the financial statements, management has not recorded the capital assets and related accumulated depreciation in the governmental activities, and accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that capital assets, including infrastructure, be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities is not reasonably determinable.

As discussed in Note 21 to the financial statements, management has not recorded the long-term costs of retirement health care costs and obligations for other postemployment benefits in the governmental activities. Accounting principles generally accepted in the United States of America require that those costs be recorded, which would increase the liabilities, net position and expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position, and expenses on the governmental activities is not readily determinable.

*Town of Hampton  
Independent Auditor's Report*

***Adverse Opinion***

In our opinion, because of the significance of the matters described in the "Basis for Adverse Opinion on Governmental Activities" paragraph, the financial statements referred to above do not present fairly the financial position of the government-wide financial statements of the Town of Hampton, as of December 31, 2012, or the changes in financial position thereof for the year then ended.

***Unmodified Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Town of Hampton as of December 31, 2012, and the respective changes in financial position, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 3 through 8) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hampton's basic financial statements. The combining and individual fund financial schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

August 19, 2013

*Plodzik & Sanderson  
Professional Association*

## Management Discussion and Analysis

Having responsibility for the financial management of the Town of Hampton (“Town”), we offer readers of the Town’s financial statements this narrative overview and analysis of the financial activities of the Town for the year ended December 31, 2012.

### ***Overview of Financial Statements***

This discussion and analysis is intended to serve as an introduction to the Town of Hampton’s basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Town of Hampton’s finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on most of the Town of Hampton’s assets and liabilities, with the difference between the two reported as *total net position*. Over time, increases or decreases in this net position may serve as a useful indicator of whether the financial condition of the Town of Hampton is improving or deteriorating.

The *statement of activities* presents information showing how the government’s net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The governmental activities of the Town of Hampton include general government, public safety, roadways, cemetery, library, trust and capital reserve funds, grants, conservation, sanitation, culture and recreation.

**Fund financial statements.** A *fund* is a set of reports that is used to segregate specific activities. For example, Emergency Medical Services activity, which is paid from fees charged for ambulance services, is reported separately from the Cable Committee activity, which is paid from franchise fees paid by the local cable company. The Town of Hampton, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Hampton can be divided into two categories: governmental or fiduciary funds.

**Governmental Funds.** *Governmental Funds* are used to report on the general operations of the town. They are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, fund financial statements focus only on current expenditures and revenue (*inflows and outflows of spendable resources this year*), as well as on balances (*of spendable resources*) available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Hampton adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

**Fiduciary Funds.** *Fiduciary Funds* are used to account for resources held for the benefit of parties outside the Hampton town government, such as developer's performance bonds and school impact fees. Fiduciary funds are *not* reflected in the government-wide financial statements because these funds are not available to support the Town of Hampton's own programs. The accounting used for the fiduciary funds is much like that used for businesses.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* consisting of a comparison of budget to actual revenues and expenditures for the general fund.

## ***Government-wide Financial Analysis***

As noted earlier, net assets may, over time serve as a useful indicator of a government's financial position. In the case of Hampton, assets exceeded liabilities by \$5,638,652 at the close of the most recent fiscal year.

Though required by GASB 34, the government-wide statement of net assets does not include any of the Town's capital assets nor the accumulated depreciation on those assets; and the government-wide statement of activities does not include depreciation expense related to those assets. These amounts have not been determined. Since *Invested in capital assets net of related debt* consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings, this amount is shown as a large negative balance which is equal to the total debt.

### **Town of Hampton Statement of Net Position**

	<b>Governmental Activities</b>	
	2012	2011
Current & other assets	38,783,192	38,095,235
Capital assets	Not Inventoried	Not Inventoried
Total assets	38,783,192	38,095,235
Long-term liabilities outstanding	17,401,572	19,100,499
Other liabilities	15,742,968	15,618,224
Total liabilities	33,144,540	34,718,723
Net Assets:		
Investment in capital assets net of related debt	(17,710,058)	(20,067,976)
Restricted assets	17,188,494	15,928,353
Unrestricted assets	6,160,216	7,516,135

For the third year in a row, the Town of Hampton was able to report substantial increases and positive balances in its net assets, for the government as a whole.

## Town of Hampton - Statement of Activities

### Governmental Activities

	2012 Amount	2011 Amount	Difference
<b>Revenues:</b>			
Program revenues:			
Charges for services	2,374,055	1,957,601	416,454
Operating grants	1,176,567	1,923,812	(747,245)
Restricted Investment Income	-	-	-
Capital Contributions	-	-	-
General revenues:			
Taxes	18,710,014	19,122,710	(412,696)
Licenses and permits	2,917,020	2,684,206	232,814
Unrestricted grants	663,258	712,603	(49,345)
Unrestricted Investment Income	-	-	-
Miscellaneous	2,531,044	25,519	2,505,525
Total revenues	28,371,958	26,426,451	1,945,507
<b>Expenses:</b>			
General Government	7,654,981	7,432,800	222,181
Public Safety	8,100,084	7,981,776	118,308
Highways and Streets	2,621,044	2,168,070	452,974
Sanitation	3,048,793	3,085,441	(36,648)
Health	324,300	290,965	33,335
Welfare	40,566	42,686	(2,120)
Culture & Recreation	1,394,323	1,276,653	117,670
Conservation	36,858	36,817	41
Interest on long-term debt	762,538	777,906	(15,368)
Capital Outlay	2,126,331	2,254,170	(127,839)
Total governmental activities	26,109,818	25,347,284	762,534
Change in net assets	2,262,140	1,079,167	1,182,973
Beginning net assets	3,376,512	2,297,345	1,079,167
Ending net assets	5,638,652	3,376,512	2,262,140



## General fund budgetary highlights

As shown in the above chart, revenues received during 2012 increased by \$1,945,507 from 2011. This reflects the increased value of the Permanent Investments. The actual budgetary revenues (see Exhibit D) were more than the budget for estimated revenues by \$214,248. As compared to the budget, the total of taxes receivable was negative due to the high level of abatements granted; Licenses and Permits were up due to the overage in motor vehicle registrations; the overage in Intergovernmental came from miscellaneous State grants and reimbursements; Charges for Services reflects another banner year for parking lot revenues and Public Works' fees for waste including a prior year adjustment with Rye Sewer; and the excess in Miscellaneous was due to a reimbursement of prior year Health Insurance premiums.

The overall, total governmental expenditures increased by \$762,534 (3.0%) over the prior year. The majority of the increase was due to the road improvements (Exeter Road repaving project) being included in Highways and Streets (also see chart of Capital Expenditures below).

The actual **budgetary expenditures** (see Exhibit D) were more than the final budget for expenses by \$(517,591) or (2.07)% of budget. The net variance resulted from the majority of the capital outlays being funded from the DPW Equipment Capital Reserve (\$586,702) versus being budgeted and through the tax rate.

In 2012 the total property valuation increased by \$30,551,500 or 1.1%. The total property tax commitment for 2012 was \$48,390,959 which was an increase of \$98,426 from the prior year. This increase in taxes to be raised would have been \$172,000 higher had not the Board of Selectmen chosen to use that amount of the Town's general fund balance to lower the Town's portion of the tax rate. The net result being that the Town's portion only increased by \$0.01 over the prior year.

### Capital Assets and Debt Administration

**Capital Assets** As discussed above, the purchase cost of capital items is treated as a current year expense versus recording them as assets to be depreciated over their estimated useful life. The effect on the 2012 financials was an expense of \$1,556,598 with no depreciation being recorded. The following is a list of the items purchased:

### Capital Expenditures - 2012

Description	Cost
PD - Ford Explorer	\$ 26,278.00
DPW - Steel Ejection Trailers (3)	\$ 179,100.00
DPW - Leach 20 Yard Packer	\$ 115,975.00
DPW - Trackless MT2 Sidewalk Tractor	\$ 104,795.00
DPW - Caterpillar Mini Exceuator	\$ 73,042.00
DPW - Chev One-Ton Dump Truck	\$ 50,954.00
DPW - M15R Morbark Wood Chipper	\$ 39,875.00
DPW - John Deere Utility Tractor	\$ 22,961.00
DPW - PU Truck	\$ 14,997.00
DPW - John Deere Gator	\$ 7,466.00
Road Improvements	\$ 644,280.00
Drainage Improvements	\$ 202,708.00
Building Insp. - 4X4 PU Truck (2)	\$ 39,167.00
Pk & Rec - Infrastructure Improv.	\$ 35,000.00

**Long Term Debt** At the end of the current fiscal year, the Town of Hampton had total debt outstanding of \$17,710,058 which is an 11.8% decrease from the \$20,067,976 owed at the end of 2011. No “new” debt was issued in 2012 and the final payment (principal and interest equaling \$662,020) was made on the Police Facility.

NH RSA 33:4-a established a debt limit. Towns may not incur outstanding indebtedness exceeding 3% of the town valuation (\$2,746,916,000) or **\$82,407,480**. Hampton’s current debt is 21% of the maximum allowable, so it is well within its debt limit. Hampton has an allowed debt margin of \$64,697,422.

### Requests for information

This financial report is designed to provide a general overview of the Town of Hampton’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 100 Winnacunnet Road, Hampton, NH 03842.

***BASIC FINANCIAL STATEMENTS***

**EXHIBIT A**  
**TOWN OF HAMPTON, NEW HAMPSHIRE**  
*Statement of Net Position*  
*December 31, 2012*

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 16,135,103
Investments	17,908,843
Receivables, net of allowances for uncollectible	4,059,817
Intergovernmental receivable	678,720
Tax deeded property, subject to resale	709
Total assets	<u>38,783,192</u>
<b>LIABILITIES</b>	
Accounts payable	255,474
Accrued salaries and benefits	228,965
Retainage payable	34,598
Escrow and performance deposits	276,600
Accrued interest payable	143,521
Intergovernmental payable	12,433,911
Contracts payable	550,040
Deferred revenue	56,457
Noncurrent liabilities:	
Due within one year:	
Bonds	1,750,180
Compensated absences	3,222
Accrued landfill postclosure care costs	10,000
Due in more than one year:	
Bonds	15,959,878
Compensated absences	1,301,694
Accrued landfill postclosure care costs	140,000
Total liabilities	<u>33,144,540</u>
<b>NET POSITION</b>	
Net investment in capital assets (deficit)	(17,710,058)
Restricted	17,188,494
Unrestricted	<u>6,160,216</u>
Total net position	<u><u>\$ 5,638,652</u></u>

The notes to the basic financial statements are an integral part of this statement.

**EXHIBIT B**  
**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**Statement of Activities**  
**For the Fiscal Year Ended December 31, 2012**

		Program Revenues		Net (Expense)
		Charges	Operating	Revenue and
		for	Grants and	Change in
	Expenses	Services	Contributions	Net Position
Governmental activities:				
General government	\$ 7,654,981	\$ 101,692	\$ 781,516	\$ (6,771,773)
Public safety	8,100,084	1,113,912	15,440	(6,970,732)
Highways and streets	2,621,044	354,314	274,180	(1,992,550)
Sanitation	3,048,793	165,360	105,204	(2,778,229)
Health	324,300	-	-	(324,300)
Welfare	40,566	-	-	(40,566)
Culture and recreation	1,394,323	638,777	-	(755,546)
Conservation	36,858	-	227	(36,631)
Interest on long-term debt	762,538	-	-	(762,538)
Capital outlay	2,126,331	-	-	(2,126,331)
Total governmental activities	<u>\$ 26,109,818</u>	<u>\$ 2,374,055</u>	<u>\$ 1,176,567</u>	<u>(22,559,196)</u>
General revenues:				
Taxes:				
Property				18,346,920
Other				363,094
Motor vehicle permit fees				2,643,784
Licenses and other fees				273,236
Grants and contributions not restricted to specific programs				663,258
Miscellaneous				2,531,044
Total general revenues				<u>24,821,336</u>
Change in net position				2,262,140
Net position, beginning, as restated (see Note 18)				3,376,512
Net position, ending				<u>\$ 5,638,652</u>

The notes to the basic financial statements are an integral part of this statement.

**EXHIBIT C-1**  
**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**Governmental Funds**  
**Balance Sheet**  
**December 31, 2012**

	General	Permanent	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 14,699,169	\$ 147,698	\$ 946,868	\$ 15,793,735
Investments	847,555	17,061,288	-	17,908,843
Receivables, net of allowance for uncollectible:				
Taxes	3,394,205	-	-	3,394,205
Accounts	70,003	-	595,609	665,612
Interfund receivable	883,078	-	3,756	886,834
Voluntary tax liens	79,858	-	-	79,858
Voluntary tax liens reserved until collected	(79,858)	-	-	(79,858)
Prepaid items	106,025	-	880	106,905
Tax deeded property, subject to resale	709	-	-	709
Restricted - Cash and cash equivalents	341,368	-	-	341,368
Total assets	<u>\$ 20,342,112</u>	<u>\$ 17,208,986</u>	<u>\$ 1,547,113</u>	<u>\$ 39,098,211</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 248,827	\$ -	\$ 6,647	\$ 255,474
Accrued salaries and benefits	228,965	-	-	228,965
Contracts payable	-	-	550,040	550,040
Intergovernmental payable	12,433,911	-	-	12,433,911
Interfund payable	3,756	167,692	715,386	886,834
Retainage payable	-	-	34,598	34,598
Escrow and performance deposits	276,600	-	-	276,600
Deferred revenue	122	-	56,335	56,457
Total liabilities	<u>13,192,181</u>	<u>167,692</u>	<u>1,363,006</u>	<u>14,722,879</u>
<b>FUND BALANCES (DEFICITS)</b>				
Nonspendable	106,734	16,399,135	880	16,506,749
Restricted	213,732	642,159	457,589	1,313,480
Committed	1,061,403	-	769,625	1,831,028
Assigned:	1,720,182	-	-	1,720,182
Unassigned (deficit)	4,047,880	-	(1,043,987)	3,003,893
Total fund balances	<u>7,149,931</u>	<u>17,041,294</u>	<u>184,107</u>	<u>24,375,332</u>
Total liabilities and fund balances	<u>\$ 20,342,112</u>	<u>\$ 17,208,986</u>	<u>\$ 1,547,113</u>	<u>\$ 39,098,211</u>

The notes to the basic financial statements are an integral part of this statement.

*EXHIBIT C-2*  
**TOWN OF HAMPTON, NEW HAMPSHIRE**  
*Reconciliation of Total Governmental Fund Balances to the Statement of Net Position*  
*December 31, 2012*

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Amounts reported for governmental activities in the Statement of Net Position  
are different because:

Total fund balances of governmental funds (Exhibit C-1)	\$ 24,375,332
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Interfund receivables and payables between governmental funds  
are eliminated on the Statement of Net Position.

Receivables	\$ (886,834)	
Payables	886,834	

-

Other long-term assets are not available to pay for current period expenditures  
and, therefore, are reported as unavailable revenues in the funds.

Intergovernmental receivable (long-term portion)	678,720
--	---------

Bond principal and interest paid in advance of the due date is recorded as a prepaid  
item in the governmental funds, but reduces the principal liability and is recorded  
as an expense in the governmental activities.

Prepaid principal and interest on debt	(106,905)
--	-----------

Interest on long-term debt is not accrued in governmental funds.

Accrued interest payable	(143,521)
--------------------------	-----------

Long-term liabilities are not due and payable in the current period,  
and therefore, are not reported in the funds.

Bonds	\$ 17,710,058	
Compensated absences	1,304,916	
Accrued landfill postclosure care costs	150,000	

(19,164,974)

Net position of governmental activities (Exhibit A)

\$ 5,638,652

**EXHIBIT C-3**  
**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Fiscal Year Ended December 31, 2012**

	General	Permanent	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 18,710,014	\$ -	\$ -	\$ 18,710,014
Licenses and permits	2,917,020	-	-	2,917,020
Intergovernmental	1,234,476	-	15,268	1,249,744
Charges for services	1,271,699	-	1,102,356	2,374,055
Miscellaneous	845,064	2,244,028	108,393	3,197,485
Total revenues	<u>24,978,273</u>	<u>2,244,028</u>	<u>1,226,017</u>	<u>28,448,318</u>
<b>EXPENDITURES</b>				
Current:				
General government	7,618,360	17,784	-	7,636,144
Public safety	7,431,154	-	708,980	8,140,134
Highways and streets	2,620,355	-	-	2,620,355
Sanitation	3,198,793	-	-	3,198,793
Health	324,300	-	-	324,300
Welfare	40,566	-	-	40,566
Culture and recreation	1,159,120	-	237,904	1,397,024
Conservation	26,723	-	10,135	36,858
Debt service:				
Principal	2,434,547	-	-	2,434,547
Interest	751,675	-	-	751,675
Capital outlay	958,580	-	1,167,751	2,126,331
Total expenditures	<u>26,564,173</u>	<u>17,784</u>	<u>2,124,770</u>	<u>28,706,727</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,585,900)</u>	<u>2,226,244</u>	<u>(898,753)</u>	<u>(258,409)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	650,114	-	3,756	653,870
Transfers out	(3,756)	(650,114)	-	(653,870)
Bond proceeds	76,629	-	-	76,629
Total other financing sources (uses)	<u>722,987</u>	<u>(650,114)</u>	<u>3,756</u>	<u>76,629</u>
Net change in fund balances	(862,913)	1,576,130	(894,997)	(181,780)
Fund balances, beginning, as restated (see Note 18)	8,012,844	15,465,164	1,079,104	24,557,112
Fund balances, ending	<u>\$ 7,149,931</u>	<u>\$ 17,041,294</u>	<u>\$ 184,107</u>	<u>\$ 24,375,332</u>

The notes to the basic financial statements are an integral part of this statement.



**EXHIBIT C-4**  
**TOWN OF HAMPTON, NEW HAMPSHIRE**  
*Reconciliation of the Statement of Revenues, Expenditures, and*  
*Changes in Fund Balances of Governmental Funds to the Statement of Activities*  
**For the Fiscal Year Ended December 31, 2012**

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Amounts reported for governmental activities in the Statement of Activities  
are different because:

Net change in fund balances of governmental funds (Exhibit C-3) \$ (181,780)

Revenues in the statement of activities that do not provide current financial resources  
are not reported as revenues in the governmental funds.

Decrease in deferred aid revenue (76,360)

Transfers in and out between governmental funds are eliminated  
on the Statement of Activities.

Transfers in	\$ (653,870)	
Transfers out	653,870	

-

The issuance of long-term debt provides current financial resources to governmental  
funds, while the repayment of principal of long-term debt consumes the current  
financial resources of governmental funds. Neither transaction, however, has any  
effect on net position.

Debt issuance	\$ (76,629)	
Repayment of bond principal	2,434,547	
		2,357,918

Some expenses reported in the Statement of Activities do not require the  
use of current financial resources, and therefore, are not reported as  
expenditures in governmental funds.

Decrease in accrued interest expense	\$ 27,029	
Decrease in compensated absences payable	23,225	
Decrease in accrued landfill postclosure care costs	150,000	
Increase in debt service interest expense (prepaid bond)	(37,892)	
		162,362

Changes in net position of governmental activities (Exhibit B)	\$ 2,262,140
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**EXHIBIT D**  
**TOWN OF HAMPTON, NEW HAMPSHIRE**  
*Statement of Revenues, Expenditures, and Change in Fund Balance*  
*Budget and Actual (Non-GAAP Budgetary Basis)*  
**General Fund**  
**For the Fiscal Year Ended December 31, 2012**

	Original and Final Budget	Actual	Variance with Final Budget Positive/(Negative)
<b>REVENUES</b>			
Taxes	\$ 19,100,174	\$ 18,710,014	\$ (390,160)
Licenses and permits	2,846,400	2,917,020	70,620
Intergovernmental	1,114,142	1,234,476	120,334
Charges for services	918,895	1,177,485	258,590
Miscellaneous	455,188	610,052	154,864
Total revenues	<u>24,434,799</u>	<u>24,649,047</u>	<u>214,248</u>
<b>EXPENDITURES</b>			
Current:			
General government	7,795,400	7,652,605	142,795
Public safety	7,422,951	7,467,051	(44,100)
Highways and streets	2,609,449	2,576,180	33,269
Sanitation	3,258,316	3,226,140	32,176
Health	327,943	323,886	4,057
Welfare	64,000	40,566	23,434
Culture and recreation	247,296	239,382	7,914
Conservation	30,509	26,723	3,786
Debt service:			
Principal	2,433,338	2,431,630	1,708
Interest	755,909	751,675	4,234
Capital outlay	621,702	761,864	(140,162)
Total expenditures	<u>25,566,813</u>	<u>25,497,702</u>	<u>69,111</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,132,014)</u>	<u>(848,655)</u>	<u>283,359</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	1,508,633	1,566,824	58,191
Transfers out	<u>(1,168,619)</u>	<u>(1,172,375)</u>	<u>(3,756)</u>
Total other financing sources (uses)	<u>340,014</u>	<u>394,449</u>	<u>54,435</u>
Net change in fund balances	<u>\$ (792,000)</u>	<u>(454,206)</u>	<u>\$ 337,794</u>
Decrease in nonspendable fund balance		9,221	
Increase in assigned fund balance (unrelated to encumbrances)		(533,402)	
Unassigned fund balance, beginning, as restated (see Note 18)		<u>5,026,267</u>	
Unassigned fund balance, ending		<u>\$ 4,047,880</u>	

The notes to the basic financial statements are an integral part of this statement.

**EXHIBIT E**  
**TOWN OF HAMPTON, NEW HAMPSHIRE**  
*Fiduciary Funds*  
*Statement of Net Position*  
*December 31, 2012*

	Agency Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 75,806
Investments	608,842
Total assets	<u>684,648</u>
<b>LIABILITIES</b>	
Due to other governmental units	645,586
Due to others	39,062
Total liabilities	<u>684,648</u>
<b>NET POSITION</b>	
Held in trust for special purposes	<u><u>\$ -</u></u>

The notes to the basic financial statements are an integral part of this statement.

**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2012**

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**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the Town of Hampton, New Hampshire (the Town), are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

The more significant of the Town's accounting policies are described below.

**1-A Reporting Entity**

The Town of Hampton is a municipal corporation governed by an elected 5-member Board of Selectmen and Town Manager. The reporting entity is comprised of the primary government and any other organizations (*component units*) that are included to ensure that the financial statements are not misleading.

Component units are legally separate organizations for which the Town is financially accountable. The Town is financially accountable for an organization if the Town appoints a voting majority of the organization's governing board, and (1) the Town is able to significantly influence the programs or services performed or provided by the organizations; or (2) the Town is legally entitled to or can otherwise access the organization's resources; (3) the Town is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Town is obligated for the debt of the organization. Based on the foregoing criteria, no other organizations are included in the Town's financial reporting entity.

**1-B Basis of Presentation**

**Government-wide Financial Statements** – The government-wide financial statements display information about the Town as a whole. These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. The effect of interfund activity has been eliminated from these statements.

The Statement of Net Position presents the financial position of the governmental activities of the Town at year-end. This statement includes all of the Town's assets, liabilities, and net position, with the exception of the capital assets and related accumulated depreciation, which have been omitted because they have not been inventoried at historical cost. In addition, long-term costs of retirement, health care, and obligations for other postemployment benefits have also been omitted because the liability and expense have not been determined. Net position is reported as one of three categories: net investment in capital assets; restricted; or unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different functions of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function, and therefore, are clearly identifiable to a particular function. Program revenues include (1) charges to customers or applicants for goods received, services rendered or privileges provided, and (2) grants and contributions that are restricted to meeting operational requirements of a particular function. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements** – The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Financial statements of the Town are organized into funds, each of which is considered to be a separate accounting entity. Each fund has a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized as major funds or nonmajor funds within the governmental statements, with an emphasis placed on the major funds within the governmental categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- (a) Total assets, liabilities, revenues or expenditures of that individual governmental fund are at least 10% of the corresponding total for all funds of that category or type;
- (b) Total assets, liabilities, revenues or expenditures of the individual governmental fund are at least 5% of the corresponding total for all governmental funds combined; and
- (c) In addition, any other governmental fund that the Town believes is particularly important to the financial statement users may be reported as a major fund.

**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**Governmental Activities** – Governmental funds are identified as general, special revenue, capital projects, and permanent funds, based upon the following guidelines:

**General Fund** – is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds** – are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purpose other than capital projects.

**Capital Projects Funds** – are used to account for and report financial that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

**Permanent Funds** – are used to account for resources legally held in trust. All resources of the fund, including earnings on invested resources, may be used to support the Town.

**Fiduciary Fund Types** – These funds account for assets held by the Town as a trustee or agent for individuals, private organizations, and other units of governments. Fiduciary fund types are not part of the reporting entity in the government-wide financial statements, but are reported in a separate Statement of Fiduciary Net Position. These funds are as follows:

**Agency Funds** – are used to account for resources held by the Town in a purely custodial capacity, for individuals, private organizations, and/or governmental units.

**Major Funds** – The Town reports the following major governmental funds:

**General Fund** – all general revenues and other receipts that are not allocated by law or contracted agreement to another fund are accounted for in this fund. This fund accounts for general operating expenditures, fixed charges, and the capital improvement costs that are not reported in other funds.

**Permanent Funds** – are held in the custody of the Trustees of Trust Funds and are used to account for resources held in trust for use by the Town.

**Nonmajor Funds** – The Town also reports eleven nonmajor governmental funds.

**Fiduciary Funds** – The Town reports the following fiduciary funds:

**Agency Funds:**

**Hampton and Winnacunnet Cooperative School District Expendable Trust Fund** – accounts for legally established funds to be used by the school district for future costs.

**Planning Board Escrow Funds** – account for funds held in a custodial capacity for work done by developers in Town.

**School Impact Fees Fund** – accounts for the school districts share of impact fees held in a custodial capacity for new developments in town.

**1-C Measurement Focus**

**Government-wide and Fiduciary Fund Financial Statements** – The government-wide and fiduciary fund financial statements, except for agency funds which have no measurement focus, are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Governmental Fund Financial Statements** – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are susceptible to accrual, that is, when they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town

**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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considers revenues (except property taxes mentioned below under Revenues-Nonexchange Transactions) to be available if they are collected within 60 days of the end of the current period. Property taxes, grants and contracts, and interest associated with the current period are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Town. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

**Revenues – Exchange Transactions** – Revenue resulting from exchange transactions in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On the modified accrual basis revenue is recorded when the exchange takes place in the fiscal year in which the resources are measurable and become available.

**Revenues – Nonexchange Transactions** – Nonexchange transactions in which the Town receives value without directly giving equal value in return include property taxes, certain fees, grants, and donations. Revenue from grants and donations is recognized in the fiscal year in which all grantor imposed eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions also must be available before it can be recognized (Interpretation No. 1, as modified, 60-day rule), with the exception of property taxes which are committed and recognized as revenue in order to offset the liability due the school district to be paid in monthly installments over the next six months. This practice is consistent with the previous years.

***1-D Cash and Cash Equivalents***

The Town considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and cash equivalents."

The treasurer is required to deposit such moneys in solvent banks in state or the Public Deposit Investment Pool pursuant to New Hampshire RSA 383.22. Funds may be deposited in banks outside the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations of the State of New Hampshire in value at least equal to the amount of the deposit in each case.

***1-E Restricted Assets***

Cash received for developers performance bond deposits are classified as restricted assets on the balance sheet because their use is designated for a specific purpose and therefore not available for immediate and general use by the Town.

***1-F Investments***

State statutes place certain limitations on the nature of deposits and investments available as follows:

New Hampshire law authorizes the Town to invest in the following type of obligations:

- Obligations of the United States government,
- The public deposit investment pool established pursuant to RSA 383:22,
- Savings bank deposits,
- Certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the State treasurer.

Any person who directly or indirectly receives any such funds or moneys for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the Town. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral. Investments for the Town are reported at fair value generally based on quoted market prices.



**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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***1-G Receivables***

Receivables recorded in the financial statements represent amounts due to the Town at December 31. They are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. They consist primarily of taxes, intergovernmental, and accounts.

***1-H Interfund Balances***

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "interfund receivables and payables." Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

***1-I Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

***1-J Net Position Flow Assumption***

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as *restricted net position* and *unrestricted net position* in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider *restricted net position* to have been depleted before *unrestricted net position* is applied.

***1-K Fund Balance Flow Assumptions***

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

***1-L Revenues and Expenditures/Expenses***

***General Revenues*** - General revenues represent the following; tax revenue recorded when a warrant for collection is committed to the tax collector, motor vehicle fees, licenses, fees, unrestricted grants, investment income and other miscellaneous items recorded when collected/received.

***Program Revenues*** - Amounts recorded as program revenues include; charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a function or segment, and grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment.

***Property Taxes*** - Property tax billings occur semiannually and are based on the assessed inventory values as of April 1 of each year. Billings for the year were due on July 1, 2012 and December 17, 2012. Interest accrues at a rate of 12% on bills outstanding after the due date and 18% on tax liens outstanding.

In connection with the setting of the tax rate, Town officials with the approval of the Department of Revenue Administration, establish and raise through taxation an amount for tax abatement and refunds, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any reserve for uncollectable at year end. The property taxes collected by the Town include taxes levied for the State of New Hampshire, Hampton School District, Winnacunnet Cooperative School District, Hampton Beach Village District, and Rockingham County, which are remitted to these entities as required by law.

**TOWN OF HAMPTON, NEW HAMPSHIRE**  
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The Town net assessed valuation as of April 1, 2012 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 2,626,325,700
For all other taxes	\$ 2,746,916,000

The tax rates and amounts assessed for the year ended December 31, 2012 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$7.14	\$ 19,600,230
School portion:		
State of New Hampshire	\$2.52	6,630,301
Local	\$7.02	19,295,027
County portion	\$1.09	2,983,251
Precinct portions:		
Hampton Beach Village - exempt	\$0.10	60,675
Hampton Beach Village - nonexempt	\$0.60	322,660
Total		<u>\$ 48,892,144</u>

***1-M Deferred/Unearned Revenue***

In the government-wide financial statements, deferred revenue is recognized when cash, receivables, or other assets are recorded prior to their being earned. In the governmental fund financial statements deferred revenue represents monies received or revenues accrued which have not been earned or do not meet the “available” criterion for revenue recognition under the modified accrual basis of accounting. On the government-wide Statement of Net Position, deferred revenue is classified as unearned revenue.

***1-N Compensated Absences***

***Vacation*** - The Town’s policy allows certain employees to earn varying amounts of vacation based on the employee’s length of employment. Upon separation from service, employees are paid in full for any accrued leave earned as set forth by personnel policy. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

***Sick Leave*** - Accumulated sick leave lapses when employees leave the employ of the Town/City and, upon separation from service, no monetary obligation exists.

***1-O Long-Term Obligations***

Long-term debt and other long-term obligations are reported as liabilities in the government-wide financial statements.

***1-P Claims and Judgments***

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. Claims and judgments are recorded in the government-wide financial statements as expense when the related liabilities are incurred. There were no significant claims or judgments at year-end.

**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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***1-Q Interfund Activities***

Interfund activities are reported as follows:

***Interfund Receivables and Payables*** – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

***Interfund Transfers*** – Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

***1-R Equity/Fund Balance Policy/Classifications***

***Government-wide Statements*** – Equity is classified as net position and displayed in three components:

- a) *Net investment in capital assets* – Because the Town has not recorded any of its capital assets, the Statement of Net Position reflects a deficit of \$17,710,058, related directly to the outstanding debt.
- b) *Restricted net position* – Consists of net assets with constraints placed on use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) *Unrestricted net position* – All other net assets that do not meet the definition of “restricted” or “net investment in capital assets.”

***Fund Balance Policy/Classifications*** – In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific programs. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The classifications used in the Town’s governmental fund financial statements are as follows:

**Nonspendable** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form; or (b) are legally or contractually required to be maintained intact. The Town has classified prepaid items, tax deeded property subject to resale, and the principal portion of permanent funds as being nonspendable.

**Restricted** – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. The Town has classified its library, police grants, cemetery trustees, police forfeitures, beach infrastructure capital project, and the income portion of permanent funds as being restricted because their use is restricted by Federal/State statutes for expenditures.

**Committed** – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (Town Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. Expendable trust, recreation infrastructure, conservation commission, emergency medical, police detail, recreation, and cable TV funds, in addition to non-lapsing appropriations, are included in this classification.

**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**Assigned** – This classification includes amounts that are constrained by the Town’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Selectmen through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds, except for those that are restricted and the general fund. The Town also has assigned funds consisting of encumbrances and a contingency for pending abatements, in the general fund at year-end.

**Unassigned** – This classification includes the residual fund balance for the general fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

***1-S Impact of Recently Issued Accounting Principles***

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASBS No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The Statement of Net Assets is renamed the Statement of Net Position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011.

***NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY***

***2-A Budgetary Information***

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the Town’s operations. At its annual meeting, the Town adopts a budget for the current year for the general fund. Except as reconciled below, the budget was adopted on a basis consistent with US generally accepted accounting principles.

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the assigned fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2012, \$792,000 of the beginning general fund unassigned fund balance was applied for this purpose.

***2-B Budgetary Reconciliation to GAAP Basis***

The Town employs certain accounting principles for budgetary reporting purposes that differ from a GAAP basis. The Statement of Revenues and Expenditures-Budgetary Basis, presents the actual results to provide a comparison with the budget. The major difference between the budgetary basis and GAAP basis is as follows:

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities, but represent budgetary accounting controls. Governmental fund budgets are maintained on the modified accrual basis of accounting except that budgetary basis expenditures include purchase orders and commitments (encumbrances) for goods or services not received at year end. Encumbrances are recorded to reserve a portion of fund balance in the governmental fund types for commitments for which no liability exists.

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The following reconciles the general fund budgetary basis to the GAAP basis:

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 26,215,871
Adjustment:	
Basis difference:	
GASB Statement No. 54:	
Charges for services revenue from blended recreation infrastructure fund	94,214
Miscellaneous revenue from blended library, Founders Day, police grants,	
Fire alarm and expendable trust funds	235,012
Energy improvement loan from blended library fund	76,629
Transfer from permanent trusts to blended library fund	285
Eliminated transfer from blended expendable trust funds	(916,995)
Per Exhibit C-3 (GAAP basis)	<u>\$ 25,705,016</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 26,670,077
Adjustment:	
Basis differences:	
Encumbrances, beginning	634,597
Encumbrances, ending	(523,157)
GASB Statement No. 54:	
Expenditures from blended library, beach infrastructure, Founders Day, and	
fire alarm funds	955,031
Eliminated transfer to blended library fund	(833,169)
Eliminated transfer to blended expendable trust funds	(335,450)
Per Exhibit C-3 (GAAP basis)	<u>\$ 26,567,929</u>

**DETAILED NOTES ON ALL FUNDS**

**NOTE 3 – CASH AND CASH EQUIVALENTS**

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of December 31, 2012, \$312,952 of the Town's bank balances of \$16,695,349 was exposed to custodial credit risk as uninsured and uncollateralized.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 16,135,103
Cash per Statement of Fiduciary Net Position (Exhibit E)	75,806
Total cash and cash equivalents	<u>\$ 16,210,909</u>

**NOTE 4 – RESTRICTED CASH**

In the general fund, a cash balance of \$341,368 is classified as restricted because of the statutory limitation in place on their use as they are earmarked for developers cash deposits.

**NOTE 5 – INVESTMENTS**

Note 1-E, describes statutory requirements covering the investment of the Town funds. The Town also maintains a portfolio of short-term maturity investments that are reported at fair value, based on quoted market prices. The Town's fiscal agent or custodian provides the fair value of all intermediate maturity investments. As of December 31, 2012, the Town had a total investment of \$18,517,685, all of which was invested in mutual funds.

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near term and that change could materially affect the amounts reported in the Statement of Net Position.

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**Interest Rate Risk** – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates.

**Concentration of Credit Risk** – The Town places no limit on the amount it may invest in any one issuer. No more than 5% of the town's total investment balance is invested in any one issuer.

**Custodial Credit Risk** – The custodial credit risk is the risk that the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party if the counterparty fails. Of the Town's \$18,517,685 in investments at December 31, 2012, all of the underlying securities are held by the investment counterparties trust department, not in the name of the Town. The Town does not have custodial credit risk policies for investments.

Investment reconciliation:

Investment per Statement of Net Position (Exhibit A)	\$17,908,843
Investment per Statement of Fiduciary Net Position (Exhibit E)	608,842
Total investments	<u>\$18,517,685</u>

**NOTE 6 – TAXES RECEIVABLE**

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2012. The amount has been reduced by an allowance for an estimated uncollectible amount of \$120,362. Taxes receivable by year are as follows:

Property:	
Levy of 2012	\$ 2,496,844
Unredeemed (under tax lien):	
Levy of 2011	624,768
Levy of 2010	349,267
Levies of 2009 and prior	43,688
Less: allowance for estimated uncollectible taxes	(120,362)
Net taxes receivable	<u>\$ 3,394,205</u>

**NOTE 7 – OTHER RECEIVABLES**

Receivables at December 31, 2012, consisted of accounts (billings for police details, ambulance, and other user charges) and intergovernmental amounts arising from grants. Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

Receivables as of December 31, 2012 for the Town's individual major funds and nonmajor funds in the aggregate including applicable allowances for uncollectible accounts are as follows:

	General Fund	Nonmajor Funds	Total
Receivables:			
Accounts	\$ 70,003	\$ 1,158,552	\$ 1,228,555
Less: allowance for uncollectible	-	(562,943)	(562,943)
Net total receivables	<u>\$ 70,003</u>	<u>\$ 595,609</u>	<u>\$ 665,612</u>

**NOTE 8 – INTERFUND BALANCES AND TRANSFERS**

**Interfund Balances** - The composition of interfund balances as of December 31, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
General	Permanent	\$ 167,692
	Nonmajor governmental	715,386
Nonmajor governmental	General	3,756
Total		<u>\$ 886,834</u>

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The outstanding balances among funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**Interfund Transfers** - The composition of interfund transfers for the year ended December 31, 2012 is as follows:

	Transfers In:		
	General Fund	Nonmajor Governmental Fund	Total
Transfers out:			
General fund	\$ -	\$ 3,756	\$ 3,756
Permanent	650,114	-	650,114
Total	<u>\$ 650,114</u>	<u>\$ 3,756</u>	<u>\$ 653,870</u>

During the year, transfers are used to (1) move revenues from the fund with collection authority to the fund responsible for expenditure and (2) move general fund resources to provide an annual subsidy.

**NOTE 9 – ACCRUED LIABILITIES**

Accrued liabilities reported by governmental funds at December 31, 2012, were as follows:

	General Fund	Nonmajor Governmental Funds
Salary and employee benefits	\$ 228,965	\$ -
Contract payable	-	550,040
Retainage payable	-	34,598
Escrow and performance deposits	276,600	-
Total accrued liabilities	<u>\$ 505,565</u>	<u>\$ 584,638</u>

**NOTE 10 – INTERGOVERNMENTAL PAYABLES**

Amounts due to other governments of \$12,433,911 at December 31, 2012 consist of the following:

Balance of 2011-2012 district assessment due to the Hampton School District	\$ 8,456,128
Balance of 2011-2012 district assessment due to the Winnacunnet Cooperative School District	3,974,570
Town clerk fees due to the State of New Hampshire	3,213
Total intergovernmental payables	<u>\$ 12,433,911</u>

**NOTE 11 – DEFERRED/UNEARNED REVENUE**

Deferred/unearned revenue of \$56,457 at December 31, 2012 consists of the following:

General fund:	
Donation received in advance of eligible expenditure being made	<u>\$ 122</u>
Nonmajor governmental funds:	
Beach sticker sales received in advance of the summer season	42,288
Public safety grant revenue collected in advance of eligible expenditure being made	<u>14,047</u>
Total nonmajor governmental funds deferred/unearned revenue	<u>56,335</u>
Total deferred/unearned revenue	<u>\$ 56,457</u>

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**NOTE 12 – SHORT-TERM DEBT**

Short-term debt provides financing for governmental activities. In 2012, the Town issued tax anticipation notes, in the amount of \$1,000,000. This debt was issued for interim financing of general fund operations. On July 13, 2012, the Town repaid the note plus \$2,560 in interest at a rate of 2.5%.

The following is a summary of changes in short-term debt for the year ended December 31, 2012:

Balance, January 1, 2012	\$ -
Additions	1,000,000
Reductions	(1,000,000)
Balance, December 31, 2012	<u>\$ -</u>

**NOTE 13 – LONG-TERM LIABILITIES**

Changes in the Town's long-term obligations consisted of the following for the year ended December 31, 2012:

	General Obligation Bonds Payable	Compensated Absences Payable	Accrued Landfill Postclosure Care Costs Payable	Total
Balance, beginning	\$ 20,067,976	\$ 1,328,141	\$ 300,000	\$21,696,117
Additions	76,629	-	-	76,629
Reductions	(2,434,547)	(23,225)	(150,000)	(2,607,772)
Balance, ending	<u>\$ 17,710,058</u>	<u>\$ 1,304,916</u>	<u>\$ 150,000</u>	<u>\$19,164,974</u>

Long-term liabilities payable are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2012	Current Portion
General obligation bonds payable:						
Wastewater treatment plant	\$ 1,398,340	1999	2019	3.80	\$ 480,606	\$ 68,657
Beach infrastructure	\$ 6,000,000	2004	2024	3.86	3,600,000	300,000
SRF	\$ 4,305,000	2005	2019	3.62	1,530,000	390,000
WWTP upgrade	\$ 4,750,000	2005	2024	3.69	2,850,000	237,500
Hurd Farm easement	\$ 2,005,000	2005	2025	4.00	1,288,923	99,147
Beach infrastructure	\$ 725,000	2005	2025	4.07	466,074	35,852
Kings' Highway	\$ 1,731,411	2007	2026	3.35	1,211,988	86,571
Beach infrastructure	\$ 4,582,257	2007	2026	3.49	3,207,582	229,113
Kings' Highway	\$ 468,000	2007	2027	4.99	389,788	18,084
Beach infrastructure	\$ 692,000	2007	2027	4.99	586,119	26,127
WWTP upgrade	\$ 1,380,251	2008	2028	3.35	1,035,188	-
Recycling Equipment	\$ 1,292,300	2011	2016	3.50	990,078	251,466
Library Unitil	\$ 40,048	2012	2022	N/A	38,046	4,005
Library Unitil	\$ 36,581	2012	2022	N/A	35,666	3,658
					<u>17,710,058</u>	<u>1,750,180</u>
Compensated absences payable:						
Vested sick leave					528,685	92
Accrued vacation leave					142,811	3,130
Other					633,420	-
					<u>1,304,916</u>	<u>3,222</u>
Accrued landfill postclosure care costs payable					<u>150,000</u>	<u>10,000</u>
Total					<u>\$ 19,164,974</u>	<u>\$ 1,763,402</u>



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The annual requirements to amortize all general obligation bonds outstanding as of December 31, 2012, including interest payments, are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2013	\$ 1,750,180	\$ 614,424	\$ 2,364,604
2014	1,825,374	\$ 586,092	2,411,466
2015	1,836,985	519,766	2,356,751
2016	1,663,195	455,398	2,118,593
2017	1,222,369	403,045	1,625,414
2018	1,225,093	357,828	1,582,921
2019-2023	5,741,090	1,120,848	6,861,938
2024-2028	2,445,772	181,782	2,627,554
Totals	<u>\$ 17,710,058</u>	<u>\$ 4,239,183</u>	<u>\$ 21,949,241</u>

All debt is general obligation debt of the Town, which is backed by its full faith and credit, and will be repaid from general governmental revenues.

**Accrued Landfill Postclosure Care Costs** - The Town ceased operating its landfill in prior years. Federal and State laws and regulations require that the Town place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site after closure. A liability is being recognized based on the postclosure care costs that will be incurred. The estimated liability for landfill postclosure care costs has a balance of \$150,000 as of December 31, 2012. The estimated total current cost of the landfill postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor and maintain the landfill were acquired as of December 31, 2012. However, the actual cost of postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations.

**Bonds Authorized and Unissued** - Bonds authorized and unissued as of December 31, 2012 were as follows:

Per Town Meeting Vote of	Purpose	Unissued Amount
March 13, 2012	Fire Substation	\$ 5,756,740
March 13, 2012	Sewer Pump Station	\$ 4,850,000

**NOTE 14 – ENCUMBRANCES**

Encumbrances outstanding of \$523,157 at December 31, 2012, are as follows:

General government:	
Executive	
Election and registration	\$ 14,677
Financial administration	3,032
Planning and zoning	14,350
Other	13,430
Total general government	<u>45,489</u>
Public safety:	
Police	105,523
Fire	44,685
Total public safety	<u>150,208</u>
Highways and streets:	
Administration	690
Highways and streets	92,733
Total highways and streets	<u>93,423</u>

(Continued)

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*Encumbrances continued:*

Sanitation:	
Administration	8,044
Solid waste disposal	4,020
Solid waste clean-up	69,887
Total sanitation	<u>81,951</u>
Culture and recreation:	
Parks and recreation	<u>14,000</u>
Capital outlay	<u>138,086</u>
Total encumbrances	<u><u>\$ 523,157</u></u>

**NOTE 15 – STATE AID TO WATER POLLUTION PROJECTS (INTERGOVERNMENTAL RECEIVABLE)**

The Town is due to receive from the State of New Hampshire the following amounts in the form of state aid to water pollution projects:

Bonds Issued	Principal	Interest	Total
Sewer construction loan (C-496)	\$ 79,194	\$ 7,337	\$ 86,531
Wastewater treatment facility upgrade (C-715)	599,526	143,720	743,246
Total	<u>\$ 678,720</u>	<u>\$ 151,057</u>	<u>\$ 829,777</u>

Under New Hampshire RSA Chapter 486, the Town receives from the State of New Hampshire a percentage of the annual amortization charges on the original costs resulting from the acquisition and construction of sewage disposal facilities. At December 31, 2012, the Town is due to receive the following annual amounts to offset debt payments:

Fiscal Year Ending December 31,	Amount
2013	\$ 102,138
2014	99,073
2015	96,008
2016	66,544
2017	64,701
2018-2022	295,865
2023-2024	105,448
Totals	<u><u>\$ 829,777</u></u>

**NOTE 16 – GOVERNMENTAL ACTIVITIES NET POSITION**

Governmental activities net position reported on the government-wide Statement of Net Position at December 31, 2012 include the following:

Invested in capital assets, net of related debt:	
General obligation bonds payable	\$ (17,710,058)
Restricted for perpetual care	17,188,494
Unrestricted	<u>6,160,216</u>
Total net assets	<u><u>\$ 5,638,652</u></u>

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**NOTE 17 – GOVERNMENTAL FUND BALANCES**

Governmental fund balances reported on the fund financial statements at December 31, 2012 include the following:

**Nonspendable:**

Major funds:

General:

Prepaid items	\$ 106,025
Tax deeded property, subject to resale	709
	<u>106,734</u>

Permanent:

Principal portion	16,399,135
Total major funds	<u>16,505,869</u>

Nonmajor fund:

Recreation:

Prepaid items	<u>880</u>
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Total nonspendable fund balance 16,506,749

**Restricted:**

Major funds:

General:

Library funds	\$ 201,507
Police grant funds	12,225
	<u>213,732</u>

Permanent:

Income portion	642,159
Total major funds	<u>855,891</u>

Nonmajor funds:

Special revenue:

Cemetery trustees	1,254
Police forfeiture	7,147
Beach infrastructure	449,188
Total nonmajor funds	<u>457,589</u>

Total restricted fund balance 1,313,480

**Committed:**

Major fund:

General:

Non-lapsing appropriations	\$ 138,086
Recreation infrastructure funds	171,704
Expendable trust funds	751,613
Total major fund	<u>1,061,403</u>

Nonmajor funds:

Special revenue:

Conservation commission	106,518
Emergency medical	389,245
Police detail	141,634
Recreation	57,389
Cable TV	74,839
Total nonmajor funds	<u>769,625</u>

Total committed fund balance 1,831,028

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*Governmental fund balances continued:*

**Assigned:**

Major fund:

General:

Pending abatement contingency	\$ 1,150,000	
Encumbrances	385,071	
Beach infrastructure funds	162,144	
Founders day funds	20,155	
Fire alarm funds	<u>2,812</u>	
Total assigned fund balance		1,720,182

**Unassigned:**

Major fund:

General

Nonmajor funds (deficits):

Wastewater treatment plant	(210,704)	
Church street	(266,539)	
Fire stations	<u>(566,744)</u>	
Total nonmajor funds	<u>(1,043,987)</u>	
Total unassigned fund balance		<u>3,003,893</u>

Total governmental fund balances		<u><u>\$ 24,375,332</u></u>
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**NOTE 18 – PRIOR PERIOD ADJUSTMENTS**

General fund equity at January 1, 2012 was restated to give retroactive effect to the following prior period adjustments for additional funds blended into the general fund for GASB #54 reporting purposes:

Adjustments

Beach infrastructure fund	\$ 179,546
Founders Day fund	1,196
Police grants fund	12,212
Fire alarm fund	1,651
Recreation infrastructure fund	77,490
Capital project fund restatement (see below)	(41,022)
Fund balance, as previously reported	<u>7,781,771</u>
Fund balance, as restated	<u><u>\$ 8,012,844</u></u>

Only the capital project restatement has any effect on beginning unassigned fund balance. Unassigned fund balance as restated is \$5,026,267.

Also, governmental activities net position at January 1, 2012 was restated to give retroactive effect to the following prior period adjustments:

	Government-wide Activities	Permanent
Adjustment:		
To adjust for overstatement of total assets	\$ (119,407)	\$ (119,407)
Net position/fund balance, as previously reported	<u>3,495,919</u>	<u>15,584,571</u>
Net position/fund balance, as restated	<u><u>\$ 3,376,512</u></u>	<u><u>\$ 15,465,164</u></u>

**NOTE 19 – DEFICIT FUND BALANCES**

The wastewater treatment plant, church street pumping station and fire stations capital project funds all had deficit fund balance sat December 31, 2012. These deficits will be financed through future revenues of the fund/bond proceeds that will be issued in the subsequent year.

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**NOTE 20– EMPLOYEE RETIREMENT PLAN**

The Town participates in the New Hampshire Retirement System (the System) which is the administrator of a cost-sharing multiple-employer contributory pension plan and trust established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Provision for benefits and contributions are established and can be amended by the New Hampshire Legislature. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. For fiscal year 2012, all employees except police officers and firefighters were required to contribute 7% of earnable compensation. The contribution rates were 11.55% for police officers and 11.80% for firefighters. The Town's contribution rates for 2012 for pension and medical subsidy were as follows; police officers 19.95%; firefighter, 22.89%; all other employees, 8.80%.

The contribution requirements for the Town of Hampton for the fiscal years 2010, 2011, and 2012 were \$1,225,459, \$1,405,584, and \$1,573,456, respectively, which were paid in full in each year.

**NOTE 21 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

In addition to pension benefits described in preceding note, the Town provides postemployment benefit options for health care to eligible retirees, terminated employees, and their dependents. The benefits are provided in accordance with the Town's agreements, collective bargaining agreements, and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The criteria to determine eligibility include: years of service, employee age, and whether the employee has vested in the respective retirement plan. The Town funds the benefits on a pay-as-you-go basis. Eligible employees are required to pay set premiums for a portion of the cost with the Town subsidizing the remaining costs. Expenses for the postretirement health care benefits are recognized as eligible employee claims are paid.

The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45, which was effective for the Town on January 1, 2009, requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported on the financial statements. The Town has not implemented GASB Statement No. 45 at December 31, 2012 or contracted with an actuarial firm to assist in evaluating the impact of this new standard on the Town. The amounts that should be recorded as the annual required contribution/OPEB cost and the net OPEB obligation is unknown.

**NOTE 22 – RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2012, the Town was a member of the Local Government Center Property-Liability Trust, LLC, Workers' Compensation and Property/Liability Programs. This entity is considered a public entity risk pool, currently operating as common risk management and insurance programs for member Towns and cities.

The Local Government Center Property-Liability Trust, LLC, is a Trust organized to provide certain property and liability insurance coverages to member Towns, cities and other qualified political subdivisions of New Hampshire. As a member of the Local Government Center Property-Liability Trust, LLC, the Town shares in contributing to the cost of, and receiving benefits from, a self-insured pooled risk management program. The membership and coverage run from July 1 to June 30. The program maintains a self-insured retention above which it purchases reinsurance and excess insurance. This policy covers property, auto physical damage, crime, general liability, and public officials' liability subject to a \$1,000 deductible.

Contributions paid in fiscal year ending December 31, 2012, to be recorded as an insurance expenditure totaled \$290,354. There were no unpaid contributions for the year ended December 31, 2012. The Town also paid \$541,918 for workers' compensation for the year ended December 31, 2012.

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**NOTE 23 – CONTINGENCIES**

The Town participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

Also, as of the date of the financial statements, the Town has had several tax abatement cases for the years 2010 and 2011, filed with the Board of Tax and Land Appeals at the Superior Court. Should all these cases be found for the land owners, the Town's exposure could be approximately \$775,000 for the years 2010 through 2011, and an additional \$875,000 for the year 2012.

**NOTE 24 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements:

**GASB Statement No. 61, *The Financial Reporting Entity: Omnibus and Amendments of GASB Statements No. 14 and No. 34***, issued November 2010, will be effective for the Town beginning with its fiscal year ending December 31, 2013. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity.

**GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities***, issued March 2012, will be effective for the Town beginning with its fiscal year ending December 2013. This Statement is intended to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

**GASB Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62***, issued March 2012, will be effective for the Town beginning with its fiscal year ending December 31, 2013.

**GASB Statement No. 67, *Financial Reporting for Pension Plans***, issued in June 2012, will be effective for the Town/City beginning with its fiscal year ending December 31, 2014. The guidance contained in this statement will change how governments calculate and report the costs and obligations associated with pensions in important ways. This replaces the requirements of Statements No. 27 and 50.

**GASB Statement No. 68, *Accounting and Financial Reporting for Pensions***, issued in June 2012, will be effective for the Town/City beginning with its fiscal year ending December 31, 2014. The guidance contained in this statement will change how governments calculate and report the costs and obligations associated with pensions in important ways. This replaces the requirements of Statements No. 27 and 50.

**NOTE 25 – SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through August 19, 2013, the date the December 31, 2012 financial statements were issued, and offers the following:

Also, as of the date of the financial statements, two cases have been heard during 2013 before the Board of Tax and Land Appeals and both were found for the land owners. The total cost to the Town for both cases was \$226,679, which either have been paid as of the date of the report or will be paid in the year 2013.

***COMBINING AND INDIVIDUAL FUND SCHEDULES***

**SCHEDULE 1**  
**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**Major General Fund**  
*Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended December 31, 2012*

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 18,695,174	\$ 18,346,920	\$ (348,254)
Interest and penalties on taxes	405,000	363,094	(41,906)
Total from taxes	19,100,174	18,710,014	(390,160)
Licenses, permits, and fees:			
Business licenses, permits, and fees	7,600	9,075	1,475
Motor vehicle permit fees	2,633,500	2,643,784	10,284
Building permits	175,000	232,886	57,886
Other	30,300	31,275	975
Total from licenses, permits, and fees	2,846,400	2,917,020	70,620
Intergovernmental:			
State:			
Meals and rooms distribution	663,364	663,258	(106)
Highway block grant	274,180	274,180	-
Water pollution grants	105,204	105,204	-
Other	71,394	165,956	94,562
Federal:			
Other	-	25,878	25,878
Total from intergovernmental	1,114,142	1,234,476	120,334
Charges for services:			
Income from departments	918,895	1,177,485	258,590
Miscellaneous:			
Sale of municipal property	21,404	42,158	20,754
Rent of property	158,645	159,717	1,072
Fines and forfeits	46,035	85,492	39,457
Other	229,104	322,685	93,581
Total from miscellaneous	455,188	610,052	154,864
Other financing sources:			
Transfers in	1,508,633	1,566,824	58,191
Total revenues and other financing sources	25,943,432	\$ 26,215,871	\$ 272,439
Unassigned fund balance used to reduce tax rate and appropriations voted	792,000		
Total revenues, other financing sources, and use of fund balance	\$ 26,735,432		



**SCHEDULE 2**  
**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**Major General Fund**  
*Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)*  
**For the Fiscal Year Ended December 31, 2012**

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 166,839	\$ 202,003	\$ -	\$ (35,164)
Election and registration	1,980	243,106	225,746	14,677	4,663
Financial administration	2,990	831,676	775,714	3,032	55,920
Legal	-	280,656	205,547	-	75,109
Personnel administration	-	2,165,636	2,215,116	-	(49,480)
Planning and zoning	-	112,654	109,007	14,350	(10,703)
General government buildings	4,474	136,863	105,277	-	36,060
Cemeteries	1,800	188,085	151,610	-	38,275
Insurance, not otherwise allocated	-	3,585,400	3,551,096	-	34,304
Other	-	84,485	77,244	13,430	(6,189)
Total general government	11,244	7,795,400	7,618,360	45,489	142,795
Public safety:					
Police	36,164	3,699,060	3,672,085	105,523	(42,384)
Fire	58,006	3,131,158	3,130,345	44,685	14,134
Building inspection	19,167	187,533	225,934	-	(19,234)
Emergency management	-	1,000	1,191	-	(191)
Other	-	404,200	400,625	-	3,575
Total public safety	113,337	7,422,951	7,430,180	150,208	(44,100)
Highways and streets:					
Administration	15,640	1,177,938	1,284,966	690	(92,078)
Highways and streets	115,537	1,227,511	1,110,582	92,733	139,733
Street lighting	6,421	204,000	224,807	-	(14,386)
Total highways and streets	137,598	2,609,449	2,620,355	93,423	33,269
Sanitation:					
Administration	29,190	1,500,830	1,424,055	8,044	97,921
Solid waste collection	9,100	559,207	580,316	-	(12,009)
Solid waste disposal	12,219	929,279	1,069,798	4,020	(132,320)
Solid waste clean-up	4,095	269,000	124,624	69,887	78,584
Total sanitation	54,604	3,258,316	3,198,793	81,951	32,176
Health:					
Pest control	414	157,292	153,649	-	4,057
Health agencies	-	170,651	170,651	-	-
Total health	414	327,943	324,300	-	4,057
Welfare:					
Administration	-	64,000	29,319	-	34,681
Direct assistance	-	-	11,247	-	(11,247)
Total welfare	-	64,000	40,566	-	23,434
Culture and recreation:					
Parks and recreation	-	242,146	220,257	14,000	7,889
Patriotic purposes	-	1,650	2,017	-	(367)
Other	-	3,500	3,108	-	392
Total culture and recreation	-	247,296	225,382	14,000	7,914
Conservation	-	30,509	26,723	-	3,786

(Continued)

*SCHEDULE 2 (Continued)*  
**TOWN OF HAMPTON, NEW HAMPSHIRE**  
*Major General Fund*  
*Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended December 31, 2012*

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal of long-term debt	-	2,433,338	2,431,630	-	1,708
Interest on long-term debt	-	745,909	749,115	-	(3,206)
Interest on tax anticipation notes	-	10,000	2,560	-	7,440
Total debt service	-	3,189,247	3,183,305	-	5,942
Capital outlay	317,400	621,702 <sup>(1)</sup>	941,178	138,086	(140,162)
Other financing uses:					
Transfers out	-	1,168,619	1,172,375	-	(3,756)
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 634,597</u>	<u>\$ 26,735,432</u>	<u>\$ 26,781,517</u>	<u>\$ 523,157</u>	<u>\$ 65,355</u>

<sup>(1)</sup> Includes Board voted use of D.P.W. equipment capital reserve funds.

***SCHEDULE 3***  
***TOWN OF HAMPTON, NEW HAMPSHIRE***  
***Major General Fund***  
***Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)***  
***For the Fiscal Year Ended December 31, 2012***

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Unassigned fund balance, beginning as restated (see Note 18)		\$ 5,026,267
Changes:		
Unassigned fund balance used to reduce 2012 tax rate		(792,000)
2012 Budget summary:		
Revenue surplus (Schedule 1)	\$ 272,439	
Unexpended balance of appropriations (Schedule 2)	<u>65,355</u>	
2012 Budget surplus		337,794
Decrease in nonspendable fund balance		9,221
Increase in assigned fund balance (unrelated to encumbrances)		<u>(533,402)</u>
Unassigned fund balance, ending, budgetary basis		<u><u>\$ 4,047,880</u></u>

**SCHEDULE 4**  
**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**December 31, 2012**

	Special Revenue Funds				
	Cemetery Trustees	Conservation Commission	Emergency Medical	Police Detail	Recreation Fund
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,254	\$ 102,762	\$ -	\$ 103,670	\$ 100,613
Accounts receivable, net of allowance for uncollectable:	-	-	557,645	37,964	-
Interfund receivable	-	3,756	-	-	-
Prepaid items	-	-	-	-	880
Total assets	<u>\$ 1,254</u>	<u>\$ 106,518</u>	<u>\$ 557,645</u>	<u>\$ 141,634</u>	<u>\$ 101,493</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ -	\$ 5,667	\$ -	\$ 936
Contracts payable	-	-	-	-	-
Interfund payable	-	-	162,733	-	-
Retainage payable	-	-	-	-	-
Deferred revenue	-	-	-	-	42,288
Total liabilities	<u>-</u>	<u>-</u>	<u>168,400</u>	<u>-</u>	<u>43,224</u>
<b>Fund balances:</b>					
Nonspendable	-	-	-	-	880
Restricted	1,254	-	-	-	-
Committed	-	106,518	389,245	141,634	57,389
Unassigned (deficit)	-	-	-	-	-
Total fund balances	<u>1,254</u>	<u>106,518</u>	<u>389,245</u>	<u>141,634</u>	<u>58,269</u>
Total liabilities and fund balances	<u>\$ 1,254</u>	<u>\$ 106,518</u>	<u>\$ 557,645</u>	<u>\$ 141,634</u>	<u>\$ 101,493</u>

Special Revenue Funds		Capital Project Funds				
Cable TV	Police Forfeiture Fund	Beach Infrastructure	Wastewater Treatment Plant	Church Street Pumping Station	Fire Stations	Total
\$ 74,883	\$ 114,498	\$ 449,188	\$ -	\$ -	\$ -	\$ 946,868
-	-	-	-	-	-	595,609
-	-	-	-	-	-	3,756
-	-	-	-	-	-	880
<u>\$ 74,883</u>	<u>\$ 114,498</u>	<u>\$ 449,188</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,547,113</u>
\$ 44	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,647
-	-	-	44,098	114,974	390,968	550,040
-	93,304	-	162,356	151,565	145,428	715,386
-	-	-	4,250	-	30,348	34,598
-	14,047	-	-	-	-	56,335
<u>44</u>	<u>107,351</u>	<u>-</u>	<u>210,704</u>	<u>266,539</u>	<u>566,744</u>	<u>1,363,006</u>
-	-	-	-	-	-	880
-	7,147	449,188	-	-	-	457,589
74,839	-	-	-	-	-	769,625
-	-	-	(210,704)	(266,539)	(566,744)	(1,043,987)
<u>74,839</u>	<u>7,147</u>	<u>449,188</u>	<u>(210,704)</u>	<u>(266,539)</u>	<u>(566,744)</u>	<u>184,107</u>
<u>\$ 74,883</u>	<u>\$ 114,498</u>	<u>\$ 449,188</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,547,113</u>

**SCHEDULE 5**  
**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**Nonmajor Governmental Funds**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Fiscal Year Ended December 31, 2012**

	Special Revenue Funds				
	Cemetery Trustees	Conservation Commission	Emergency Medical	Police Detail	Recreation Fund
<b>Revenues:</b>					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	583,685	350,966	167,705
Miscellaneous	1	19,075	-	-	12,747
Total revenues	1	19,075	583,685	350,966	180,452
<b>Expenditures:</b>					
Current:					
Public safety	-	-	410,838	282,874	-
Culture and recreation	2	-	-	-	155,572
Conservation	-	10,135	-	-	-
Capital outlay	-	109,763	-	-	-
Total expenditures	2	119,898	410,838	282,874	155,572
Excess (deficiency) of revenues over (under) expenditures	(1)	(100,823)	172,847	68,092	24,880
<b>Other financing sources:</b>					
Transfers in	-	3,756	-	-	-
Net change in fund balances	(1)	(97,067)	172,847	68,092	24,880
Fund balances, beginning, as restated (see Note 18)	1,255	203,585	216,398	73,542	33,389
Fund balances (deficit), ending	\$ 1,254	\$ 106,518	\$ 389,245	\$ 141,634	\$ 58,269

Special Revenue Funds		Capital Project Funds				
Cable TV	Police Forfeiture Fund	Beach Infrastructure	Wastewater Treatment Plant	Church Street Pumping Station	Fire Stations	Total
\$ -	\$ 15,268	\$ -	\$ -	\$ -	\$ -	\$ 15,268
-	-	-	-	-	-	1,102,356
76,398	172	-	-	-	-	108,393
76,398	15,440	-	-	-	-	1,226,017
-	15,268	-	-	-	-	708,980
82,330	-	-	-	-	-	237,904
-	-	-	-	-	-	10,135
-	-	14,001	210,704	266,539	566,744	1,167,751
82,330	15,268	14,001	210,704	266,539	566,744	2,124,770
(5,932)	172	(14,001)	(210,704)	(266,539)	(566,744)	(898,753)
-	-	-	-	-	-	3,756
(5,932)	172	(14,001)	(210,704)	(266,539)	(566,744)	(894,997)
80,771	6,975	463,189	-	-	-	1,079,104
\$ 74,839	\$ 7,147	\$ 449,188	\$ (210,704)	\$ (266,539)	\$ (566,744)	\$ 184,107